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UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA
SOUTHERN DIVISION

13 JAMES R. GLIDEWELL DENTAL
14 CERAMICS, INC.,

15 Plaintiff,
vs.

16 KEATING DENTAL ARTS, INC.,
17
Defendant.

18
19 AND RELATED
COUNTERCLAIMS.
20
21
22

Case No. SACV11-01309-DOC(ANx)

JAMES R. GLIDEWELL DENTAL
CERAMICS, INC.'S REPLY BRIEF
IN SUPPORT OF ITS MOTION FOR
PARTIAL SUMMARY JUDGMENT
RE TRADEMARK MISUSE, UNFAIR
COMPETITION, UCLEAN HANDS,
FAIR USE, AND ESTOPPEL

Hearing

Date: December 17, 2012
Time: 8:30 a.m.
Crm: 9D, Hon. David O. Carter

Pre-Trial Conf.: January 28, 2013
Jury Trial: February 26, 2013

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I. LEGAL DISCUSSION

A. Keating's Third Counterclaim for Misuse of Trademark Fails to State a Legally Cognizable Claim

Keating acknowledges, as it must, that no court has recognized an affirmative claim for trademark misuse. What Keating ignores is the reason why: because trademark rights simply do not confer the market leverage needed to force a monopoly. *Clorox Co. v. Sterling Winthrop, Inc.*, 117 F.3d 50, 56 (2d Cir. 1997) (“A trademark, unlike other intellectual property rights, does not confer a legal monopoly on any good or idea; it confers rights to a name only. Because a trademark merely enables the owner to bar others from use of the mark, as distinguished from competitive manufacture and sale of identical goods bearing another mark, the opportunity for effective antitrust misuse of a trademark . . . is so limited that it poses a far less serious threat to the economic health of the nation [than does patent misuse].” Internal quotes omitted.); *Guichard v. Mandalay Pictures, LLC*, 2005 WL 2007883 (N.D. Cal. 2005) (“As a matter of law, possessing and asserting priority of trademark rights does not harm competition in the market associated with the mark.”).

Undeterred, Keating starts with the assertion that Glidewell has enforced its mark against direct competitors using variations of “brux” or “bruxer” in their trademark, and leaps directly to the conclusion that “Glidewell is attempting to use its trademark registration to gain something akin to patent rights, seeking to prevent competitors from selling all-zirconia crowns for use with bruxers or in brux cases.” (Dkt. #127 [Def’t’s Opp.], p. 9). The problem with Keating’s theory is there is neither legal authority nor evidence to support it.

As Keating acknowledges, an affirmative trademark misuse claim has been universally rejected by the courts. Not only has it been rejected by the courts, however, but the only source to which Keating cites also rejects Keating's position. William E. Ridgway, *Revitalizing the Doctrine of Trademark Misuse*, 21

1 BERKELEY TECH. L.J. 1547 (2006) (the “Ridgway article”). While the Ridgway
 2 article does go beyond any court in endorsing the creation of a modest trademark
 3 misuse doctrine, it specifically excludes anticompetitive conduct from the scope of
 4 the proposed claim because trademarks do not confer sufficient market leverage to
 5 threaten a monopoly:

6 When compared to patents and, to some extent,
 7 copyrights, trademarks only rarely generate market
 8 power. As the court articulated in *Clorox Co. v. Sterling
 Winthrop, Inc.* [117 F.3d 50 (2d Cir. 1997)],

9 A trademark, unlike other intellectual property
 10 rights, does not confer a legal monopoly on any
 11 good or idea; it confers rights to a name only.
 12 Because a trademark “merely enables the owner to
 13 bar others from use of the mark, as distinguished
 14 from competitive manufacture and sale of identical
 15 goods bearing another mark,” “the opportunity for
 16 effective antitrust misuse of a trademark . . . is so
 17 limited that it poses a far less serious threat to the
 18 economic health of the nation [than does patent
 19 misuse].”

20 Thus, in accordance with the general trend in misuse
 21 jurisprudence, this Article opposes the adoption of an
 22 antitrust-based doctrine of trademark misuse.

23 *Id.* at 1565. But that is exactly the theory Keating advances here: a trademark
 24 misuse doctrine based on Glidewell’s alleged attempt to secure a monopoly. Not
 25 only has no court endorsed Keating’s theory, therefore, but even the one lone
 26 purportedly supporting law review article that Keating cites opposes it.¹ In other
 27

28 ¹ The Ridgway article endorses a trademark misuse doctrine for situations where a
 29 mark holder attempts to suppress the first-amendment rights of individuals or
 30 companies with few resources. The example offered repeatedly in the article is
 31 a situation where a blogger criticizes a company and the company then attempts
 32 to silence the criticism with a bogus trademark claim. Nothing of the sort has
 33 occurred here.

1 words, Keating provides this Court with absolutely no reason to break new legal
 2 ground and recognize a novel claim for trademark misuse.

3 Moreover, even if Keating had come forward with a compelling argument for
 4 the Court to adopt its novel claim, its Third Counterclaim would still be subject to
 5 dismissal because Keating has no evidence to support the claim.

6 First, it is demonstrably not true that Glidewell has attempted to enforce the
 7 BruxZir mark against every competitor that uses the term “Brux” or “Bruxer” in
 8 connection with its promotion of dental crowns and bridges. Glidewell does not
 9 attempt to enforce its rights in the BruxZir mark against competitors that use the
 10 term “Bruxer” descriptively rather than as a mark or brand. For example, in one
 11 instance Glidewell sent a cease and desist letter to a competitor using the mark
 12 “Bruxer All Zirconia.” That company stopped using that mark and instead simply
 13 described their product as “good for bruxers,” which satisfied Glidewell.
 14 (Jankowski Decl. Ex. 6 (Allred Depo.) at 244:20-245:17). More generally, when
 15 the Glidewell employees involved in enforcement were asked in their depositions
 16 whether competitors could use those terms to describe their product, they affirmed
 17 that Glidewell does not object to competitors describing their product as indicated
 18 or ideal for bruxers or patients with bruxism. (Jankowski Decl. Ex. 5 (Bartolo
 19 Decl.) at 82:19-83:5 (“there’s nothing wrong with [competitors] describing in their
 20 own materials that they have a crown which is, for example, indicated for bruxers . .
 21 .”), 143:11-19 (“a non-authorized lab certainly can describe a monolithic zirconia
 22 dental restoration in their advertising as being suitable for bruxers . . .”; Allred
 23 Depo. at 211:8-12 (competitors can “use the word bruxer in their promotional
 24 materials to refer to patients with bruxism . . .”). So there is simply no evidence
 25 that Glidewell is trying to preclude others from describing their products using the
 26 terms “brux” or “bruxers.”

27 Second, there is not a shred of evidence, because it is not true, that any
 28 competitor of Glidewell was forced to stop, or scale back from, selling zirconia

1 crowns as a result of Glidewell's enforcement conduct. There is no evidence that
 2 Glidewell even attempted to accomplish that end. The only thing that happened as
 3 a result of Glidewell's enforcement activity is what one would expect: the
 4 infringers changed the name of their product. But competition is alive and well.

5 Accordingly, the Court should grant partial summary judgment in favor of
 6 Glidewell with respect to Keating's Third Counterclaim for Trademark Misuse.

7 **B. Keating Lacks Standing to Raise Its Second Counterclaim for Unfair**
 8 **Competition Under the UCL**

9 Keating claims for the first time in its opposition brief that it has suffered the
 10 requisite economic injury to have standing to sue under the UCL because, *as a*
 11 *result of this lawsuit*, its sales have allegedly declined, and two dentists have
 12 allegedly stopped purchasing Keating's product. (Opposition at 9-10). As set forth
 13 in greater detail below, Keating's alleged economic harm does not confer standing
 14 for at least three reasons. First, the *lawsuit* is not the alleged unfair competition
 15 Keating claims in its counterclaim, nor is it the alleged unfair competition Keating
 16 proceeds to complain about in its discussion on the merits. Damages as a result of
 17 the lawsuit, therefore, cannot confer standing. Second, if Keating is now basing its
 18 UCL claim on this lawsuit, Keating's claim is absolutely barred by California's
 19 litigation privilege (Civil Code § 47(b)) and the federal *Noerr-Pennington* doctrine,
 20 both of which preclude liability for the act of filing a lawsuit. Third, Keating has
 21 proffered no evidence that this lawsuit caused it economic damages in any event.

22 **1. Keating has Offered No Evidence of Economic Harm Caused By**
 23 **the Alleged Unfair Competition**

24 Keating contends it has standing because this lawsuit caused it economic
 25 harm. But the unfair competition Keating complains about is *not* this lawsuit. This
 26 dooms Keating's argument because Keating must prove it "suffered injury in fact
 27 and lost money or property *as a result of* the unfair competition." Cal. Bus. & Prof.
 28 Code § 17204 (emphasis added). This requirement "imposes a causation

1 requirement. The phrase ‘as a result of’ in its plain and ordinary sense means
 2 ‘caused by’ and requires a showing of a causal connection or reliance on the alleged
 3 [unfair competition].” *Hall v. Time Inc.*, 158 Cal. App. 4th 847, 855 (2008); *Laster*
 4 *v. T-Mobile USA, Inc.*, 407 F. Supp. 2d 1181, 1194 (S.D. Cal. 2005) aff’d, 252 F.
 5 App’x 777 (9th Cir. 2007) (“The language of the UCL, as amended by Proposition
 6 64, makes clear that a showing of causation is *required . . .*”). Keating, therefore,
 7 must show that Glidewell’s alleged acts of unfair competition caused it economic
 8 harm.

9 The unfair competition Keating complains of, however, is not the lawsuit that
 10 allegedly caused economic harm. In its Second Counterclaim, the unfair
 11 competition Keating complains of is that Glidewell allegedly obtained an unlawful
 12 registration as “‘cover’ for asserting that Glidewell’s competitors could NOT use
 13 the generic term BRUX.” (SAA ¶ 62). But nowhere does Keating allege that this
 14 *lawsuit* constitutes unfair competition.

15 Further, even in Keating’s opposition brief, Keating does not claim that that
 16 the *lawsuit* is the unfair competition. Instead Keating discusses the cease and desist
 17 letter that Glidewell sent Keating, cease and desist letters that Glidewell sent third
 18 parties, Glidewell’s alleged prevention of third parties from using the terms “brux”
 19 and “bruxer,” and Glidewell’s alleged attempt to monopolize the market for
 20 zirconia crowns. (Opposition at 10-12). Keating proffers no evidence, however,
 21 that it has suffered any injury as a result of any of these allegedly improper acts.
 22 And since this lawsuit is not the unfair competition Keating alleges, evidence of
 23 injury caused by the lawsuit does not confer standing under the UCL as a matter of
 24 law.

25 Further, even if Keating were trying to change the gravamen of its Second
 26 Counterclaim, Keating cannot do so at this late stage, after three successively more
 27 elaborate attempts at stating counterclaims in this action, attempting to change. *La*
 28 *Asociacion de Trabajadores de Lake Forest v. City of Lake Forest*, 624 F.3d 1083,

1 1089 (9th Cir. 2010) (“Given its inadequate pleading regarding organizational
 2 standing, [plaintiff] may not effectively amend its Complaint by raising a new
 3 theory of standing in its response to a motion for summary judgment.”); *Wasco*
 4 *Products, Inc. v. Southwall Technologies, Inc.*, 435 F.3d 989, 992 (9th Cir. 2006)
 5 (“Simply put, summary judgment is not a procedural second chance to flesh out
 6 inadequate pleadings.”).

7 **2. To the Extent Keating is Now Claiming This Lawsuit Constitutes**
 8 **Unfair Competition, Keating’s Claim is Barred by the Litigation**
 9 **Privilege and Noerr-Perrington Doctrine**

10 Even if Keating could assert for the first time in its opposition brief that this
 11 lawsuit constitutes unfair competition, Keating’s claim would be absolutely barred
 12 by the litigation privilege (Civil Code § 47(b)) and the federal *Noerr-Pennington*
 13 doctrine, both of which preclude liability for the act of filing a lawsuit.

14 The litigation privilege imposes an “absolute bar” to liability. *Rubin v.*
 15 *Green*, 4 Cal. 4th 1187, 1201 (1993) (holding the litigation privilege barred a UCL
 16 claim). It “applies to any communication (1) made in judicial or quasi-judicial
 17 proceedings; (2) by litigants or other participants authorized by law; (3) to achieve
 18 the objects of the litigation; and (4) that have some connection or logical relation to
 19 the action.” *Silberg v. Anderson*, 50 Cal.3d 205, 212 (1990). The filing of a
 20 lawsuit is the quintessential communication protected by the privilege: “We
 21 contemplate no communication that is more clearly protected by the litigation
 22 privilege than the filing of a legal action.” *Action Apartment Ass’n, Inc. v. City of*
 23 *Santa Monica*, 41 Cal. 4th 1232, 1249 (2007). Further, Keating cannot avoid the
 24 litigation privilege by attempting to show that this lawsuit is a sham (which it is
 25 not). *Kashian v. Harriman*, 98 Cal.App.4th 892, 917 (2002) (holding that the
 26 “fil[ing][of] meritless lawsuits on behalf of ‘sham plaintiffs’ “ was “essentially
 27 communicative conduct” to which the litigation privilege applied, “even though it
 28 also may have involved noncommunicative acts”). The litigation privilege applies

1 in federal court. E.g., *Oei v. N. Star Capital Acquisitions, LLC*, 486 F. Supp. 2d
 2 1089, 1103 (C.D. Cal. 2006) (litigation privilege barred claim of intentional
 3 infliction of emotional distress). Accordingly, as section 17200 is a California
 4 cause of action, the litigation privilege absolutely bars Keating's Second
 5 Counterclaim.

6 The First Amendment also immunizes a party from liability for filing a
 7 lawsuit under the *Noerr-Pennington* doctrine. "The Supreme Court has described
 8 the right to petition as 'among the most precious of the liberties safeguarded by the
 9 Bill of Rights' and 'intimately connected, both in origin and in purpose, with other
 10 First Amendment rights of free speech and free press.'" *Empress LLC v. City &*
 11 *County of San Francisco*, 419 F.3d 1052, 1056 (9th Cir. 2005) (quoting *United*
 12 *Mine Workers of America, Dist. 12 v. Illinois State Bar Ass'n*, 389 U.S. 217, 222
 13 (1967)). "Under the *Noerr-Pennington* doctrine, '[t]hose who petition government
 14 for redress are generally immune from antitrust liability.'" *Manistee Town Ctr. v.*
 15 *City of Glendale*, 227 F.3d 1090, 1092 (9th Cir. 2000) (citing *Professional Real*
 16 *Estate Investors, Inc. v. Columbia Pictures Indus., Inc.*, 508 U.S. 49, 56 (1993)).
 17 The only exception is for "sham" lawsuits, which applies when "(1) the petitioner's
 18 lawsuit is objectively baseless and (2) the baseless lawsuit conceals a subjective
 19 attempt to interfere directly with the business relationships of a competitor."
 20 *Manistee Town Ctr.*, 227 F.3d at 1094; see also *MedImmune, Inc. v. Genentech,*
 21 *Inc.*, 2003 WL 25550611 (C.D. Cal. 2003) (applying *Noerr-Pennington* doctrine to
 22 state unfair competition claim). These circumstances are obviously not applicable
 23 here.

24 Here, Keating's only attempt to establish standing is to argue that this *lawsuit*
 25 caused it to lose business. (Opposition at 9-10). But under the litigation privilege
 26 and *Noerr-Perrington* doctrine, Glidewell cannot, as a matter of law, be liable for
 27 damages caused by the filing of this lawsuit. There is no "sham" exception to the
 28 litigation privilege, so there can be no question that Keating's claim is absolutely

1 barred by the litigation privilege. But even under the *Noerr-Perrington* doctrine,
 2 this lawsuit is plainly not objectively baseless. Glidewell has a federally registered
 3 trademark, which is thus presumptively valid, and is enforcing it against a direct
 4 competitor with a similar trademark. This lawsuit is plainly not a sham.

5 Keating is left, therefore, with no evidence of economic harm caused by
 6 cognizable acts of unfair competition. Thus Keating has no standing and the Court
 7 should grant partial summary judgment in favor of Glidewell on Keating's Second
 8 Counterclaim for Unfair Competition.

9 **3. Keating's Evidence Does Not Prove Economic Damages Caused by**
 10 **This Lawsuit**

11 Finally, even if Keating could overcome the legal and logical obstacles to
 12 establishing that damages resulting from this lawsuit could confer standing, Keating
 13 has presented no substantial evidence that this lawsuit has caused it damages.
 14 Keating offers two pieces of evidence.

15 First, Keating presents evidence that since this lawsuit started, it has chosen
 16 to significantly reduce its marketing expenditures to mitigate any potential damages
 17 from the lawsuit. At the same time, Keating's sales have stagnated and then
 18 declined. (Donich Decl. ¶ 3-4, Ex. A). Keating claims this is evidence that the
 19 lawsuit has caused Keating economic harm. There are a number of problems with
 20 this argument.

21 First, it is simply not true. Exhibit A to the Donich Declaration shows that
 22 Keating's product sales did not stagnate and decline. On the contrary, sales from
 23 May 2012 onward are equal to or *greater than* sales from May 2011 onward. In
 24 other words, sales are actually up, and Keating's claim is demonstrably false. A
 25 party cannot manufacture an issue of fact by simply contradicting its own evidence.
 26 *Matrix Motor Co., Inc. v. Toyota Jidosha Kabushiki Kaisha*, 290 F. Supp. 2d 1083,
 27 1091 (C.D. Cal. 2003) ("[Plaintiff] cannot manufacture disputes of material facts by
 28 contradicting itself.").

1 Next, the obvious problem with this argument is that even were Keating's
 2 factual assertion true, any temporary decline in sales is fully explained by Keating's
 3 decision to reduce its marketing. And Keating's decision to reduce its marketing
 4 was just that, Keating's decision. Glidewell is not responsible for that decision.
 5 Indeed, the fact that Keating chose to reduce its marketing as a mitigation strategy
 6 only shows that this lawsuit, in fact, does have merit.

7 Finally, even if there were a brief decline in sales after the filing of the
 8 lawsuit, that would establish only a correlation, not that this lawsuit *caused* the
 9 decline. Keating has presented no evidence that the lawsuit in fact caused any
 10 temporary decline in sales. There is, for example, no evidence that Glidewell
 11 contacted Keating's customers to inform them of the lawsuit or dissuade them from
 12 buying Keating's product. There is no evidence that Keating's customers even
 13 know about this lawsuit. In other words, even if Keating presented sales figures
 14 showing a decline in sales, that would show only a correlation between the lawsuit
 15 and the decline in sales, but that is not enough to prove causation. See *Sze v. I.N.S.*,
 16 153 F.3d 1005, 1008 (9th Cir. 1998) ("Plaintiffs have demonstrated no more than
 17 correlation; they have not shown causation."); *Norris v. Baxter Healthcare Corp.*,
 18 397 F.3d 878, 885 (10th Cir. 2005) ("A correlation does not equal causation.").

19 In Keating's second piece of evidence, Keating presents a list of 12 dentists
 20 who submitted prescription forms to Keating with "BruxZir" or something similar
 21 written on it. (Brandon Decl. ¶¶ 2-6). Since being sued by Glidewell, Keating
 22 states that its policy in such cases has been to call the dentist and confirm that the
 23 dentist wants KDZ Bruxer and not some other brand, and also inform the dentist
 24 that "BruxZir" is a trade name being used by a competing lab. (Brandon Decl. ¶¶
 25 2-6). Of the 12 dentists, two have not reordered KDZ Bruxer since being told
 26 BruxZir is Glidewell's mark. (Brandon Decl. ¶ 9). From this, Keating concludes,
 27 "Keating has . . . lost business from dentists who stopped ordering Keating's KDZ
 28 Bruxer product once they learned that Keating was defending a lawsuit brought

1 against it based on the KDZ Bruxer product.” (Opposition at 10).

2 Again, Keating’s claim does not hold water. First, the Brandon declaration
 3 does *not* say he informed the dentists about this lawsuit. He only says he informed
 4 the dentists of the existence of Glidewell and that Glidewell uses “BruxZir” as a
 5 trade name. (Brandon Decl. ¶¶ 2-6). Since there is no evidence the two dentists
 6 knew about the lawsuit, there is no evidence the lawsuit caused the dentists to stop
 7 ordering Keating’s product. Additionally, even if Keating had informed the
 8 dentists of the lawsuit, it is pure speculation on Keating’s part that the two dentists
 9 who stopped ordering product did so *because* of the lawsuit. Keating did not
 10 submit declarations from the dentists, so we have no idea why they stopped
 11 ordering product. Perhaps they grew dissatisfied with the quality of Keating’s
 12 product. Perhaps another lab offered a better price. The mere fact that the two
 13 dentists stopped ordering product does not prove causation. It proves, at most,
 14 correlation. It is certainly not sufficient to create a genuine issue of fact.

15 Ultimately, even if proving damages as a result of this lawsuit were a legal
 16 and logical way to establish standing (which it is not), Keating has failed to offer
 17 that proof. Thus Keating does not have standing to bring a UCL claim. The Court
 18 should grant partial summary judgment to Glidewell on Keating’s Second
 19 Counterclaim for Unfair Competition.

20 **C. Keating’s Counterclaim for Unfair Competition Fails on the Merits**

21 Keating claims Glidewell engaged in “unfair” conduct under the UCL
 22 because Glidewell’s enforcement of its mark “violate[s] ‘the policy or spirit’ of the
 23 trademark and antitrust laws and threaten[s] and harms competition.” (Opposition
 24 at 11). Keating slipped the word “trademark” into that quote. Unfair competition
 25 under the UCL, however, cannot be proven by showing a threatened violation of
 26 trademark law, only antitrust law. *TYR Sport, Inc. v. Warnaco Swimwear, Inc.*, 709
 27 F.Supp.2d 821, 838 (C.D. Cal. 2010) (“Conduct is ‘unfair’ if it ‘threatens an
 28 incipient violation of an antitrust law, or violates the policy or spirit of one of those

1 laws because its effects are comparable to or the same as a violation of the law, or
 2 otherwise significantly threatens or harms competition.””). Keating’s evidence,
 3 moreover, reveals no actual or potential harm to competition.

4 Keating ignores the ample case law cited in Glidewell’s motion that
 5 trademark law simply does not confer the sort of market power needed to leverage a
 6 monopoly. *E.g., Juno Online Services v. Juno Lighting, Inc.*, 979 F.Supp. 684
 7 (N.D. Ill. 1997) (“in trademark law, the mark holder usually does not have the
 8 ability to destroy competition. The holder can only keep competitors from using
 9 the mark and, in most circumstances, cannot keep them from selling a directly
 10 competing product.”); see Dkt. #79-1 (Glidewell Motion) at 14-18. The evidence in
 11 this case bears that out. The only evidence Keating relies on is the fact that
 12 Glidewell sent cease-and-desist letters to direct competitors using variations on
 13 “brux” and “bruxer” in trademarks. The evidence shows that, at least with some of
 14 them, the competitors chose to change the name of the products they were offering.
 15 (Jankowski Decl. Ex. 6 at 213:19 -264:13). But importantly, *there is no evidence*
 16 *that any competitor stopped offering, or reduced their offering of, zirconia crowns*.
 17 The competition is still there, alive and well; the only effect of the cease and desist
 18 letters is that Glidewell’s competitors changed the brand name of their products.
 19 Accordingly, there is no violation of the letter, policy or spirit of the antitrust laws.

20 Further, there is no evidence to support Keating’s claim that Glidewell is
 21 plotting to prevent competitors from describing their products using “brux” or
 22 “bruxer.” The evidence shows only that Glidewell has enforced its trademark
 23 against competitors using “brux” or “bruxer” *in a mark*. As noted above, when
 24 asked in their depositions whether competitors could use those terms to describe
 25 their product, the Glidewell employees involved in enforcement affirmed that
 26 Glidewell does not object to competitors describing their product as indicated or
 27 ideal for bruxers or patients with bruxism. (Jankowski Decl. Ex. 5 (Bartolo Decl.)
 28 at 82:19-83:5 (“there’s nothing wrong with [competitors] describing in their own

1 materials that they have a crown which is, for example, indicated for bruxers . . .”),
 2 143:11-19 (“a non-authorized lab certainly can describe a monolithic zirconia
 3 dental restoration in their advertising as being suitable for bruxers . . .”; Ex. 6
 4 (Allred Depo.) at 211:8-12 (competitors can “use the word bruxer in their
 5 promotional materials to refer to patients with bruxism . . .”). Indeed, in at least one
 6 instance of trademark enforcement, Glidewell was satisfied when a competitor
 7 stopped using the mark “Bruxer All Zirconia” and instead simply described their
 8 product as “good for bruxers.” (Jankowski Decl. Ex. 6 (Allred Depo.) at 244:20-
 9 245:17). So there is simply no evidence that Glidewell is trying to preclude others
 10 from describing their products using the terms “brux” or “bruxers.”

11 Ultimately, even if Keating had standing to bring a UCL claim related to
 12 Glidewell’s trademark policing against *third parties* (which it does not), there is
 13 simply no evidence that Glidewell threatens to hamper competition. At most,
 14 Glidewell requires competitors who infringe Glidewell’s trademark to change their
 15 names. As many courts have recognized, however, that is not a threat to
 16 competition. Accordingly, Glidewell has not engaged in “unfair” conduct under the
 17 UCL. Thus the Court should enter partial summary judgment in favor of Glidewell
 18 on Keating’s Second Counterclaim for Unfair Competition.

19 **D. Keating’s Counterclaim for Unclean Hands Fails on the Merits**

20 Keating claims the Court should throw Glidewell out of court under the
 21 unclean hands defense for three reasons. First, in registering the BruxZir mark,
 22 Glidewell failed to disclose certain facts to the examiner that, puzzlingly, Keating
 23 admits Glidewell had no duty to disclose. Second, Glidewell made a single false
 24 statement to an unrelated third party that Glidewell had filed a lawsuit against the
 25 third party when Glidewell had not. Third, Glidewell improperly used the ®
 26 symbol in a few instances.

27 None of these allegations warrant the extreme remedy of denying Glidewell
 28 all relief under its trademark. Keating ignores the applicable standard governing an

unclean hands defense: “courts require clear, convincing evidence of ‘egregious’ misconduct before invoking the doctrine of unclean hands.” *Citizens Fin. Group, Inc. v. Citizens Nat. Bank of Evans City*, 383 F.3d 110, 129 (3d Cir. 2004). “[C]ourts are reluctant to apply the unclean hands doctrine in all but the most egregious situations. It will be applied only where some unconscionable act of one coming for relief has immediate and necessary relation to the equity that he seeks in respect of the matter in litigation.” *U-Haul Int'l, Inc. v. Jartran, Inc.*, 522 F. Supp. 1238, 1255 (D. Ariz. 1981) *aff'd*, 681 F.2d 1159 (9th Cir. 1982) “‘The unclean hands maxim is not a search warrant authorizing the defendant to probe into all the possible types of inequitable conduct ever engaged in by the plaintiff.’” *Pom Wonderful LLC v. Welch Foods, Inc.*, 737 F. Supp. 2d 1105, 1109 (C.D. Cal. 2010). The unclean hands defense “is not a license to destroy the rights of persons whose conduct is unethical. The rule is that unrelated bad conduct is not to be considered against the plaintiff. It is only when the plaintiff’s improper conduct is the source, or part of the source . . . of his equitable claim, that he is to be barred because of this conduct. What is material is not that the plaintiff’s hands are dirty, but that he dirties them in acquiring the right he now asserts.” *U-Haul Int'l, Inc.*, 522 F. Supp. at 1254-55. Tellingly, Keating does not cite a single case upholding an unclean hands defense in circumstances analogous to the misconduct Keating claims here. And that is for good reason: none of the alleged misconduct is sufficiently “egregious,” or sufficiently related to this lawsuit, to warrant a forfeiture of Glidewell’s trademark rights.

Keating’s first argument in favor of its unclean hands counterclaim—nondisclosure of certain facts to the trademark examiner—is a study in contradiction. Keating first recognizes that “it is the trademark examiner’s responsibility to request the meaning of a mark from the applicant and a trademark applicant has no affirmative duty to disclose a mark’s meaning to the trademark owner,” but then proceeds to argue that Glidewell is guilty of unclean hands for not

1 doing so. (Opposition at 13-14). Keating has answered its own argument. We
 2 agree that no such duty exists, and thus Glidewell cannot be found to have unclean
 3 hands for noncompliance with a nonexistent duty. See Trademark Manual of
 4 Examining Procedure (Oct. 2012) §§ 808.01 (applicants need not provide
 5 description of marks consisting of standard characters), 809 (meaning of words
 6 need be provided only for words of a foreign language).

7 Keating's second argument epitomizes the sort of nit-picking that is excluded
 8 by the requirement that the misconduct be "egregious" and that it be directly related
 9 to the plaintiff's claim. Keating proffers evidence that in a single instance
 10 involving a third party totally unrelated to this lawsuit, Glidewell incorrectly
 11 claimed that an infringement lawsuit had been filed when none had been.
 12 Glidewell acknowledges that this occurred, but this isolated incident simply is not
 13 the sort of egregious misconduct that warrants forfeiting a party's trademark rights.

14 A case on point is *Pom Wonderful LLC v. Welch Foods, Inc.*, 737 F. Supp. 2d
 15 1105 (C.D. Cal. 2010). There, plaintiff brought a Lanham Act suit against a
 16 competitor in the fruit juice market for false advertising and violation of the UCL.
 17 In particular, plaintiff alleged defendant's product "Welch's 100% White Grape
 18 Pomegranate" contained very little pomegranate juice. Defendant asserted an
 19 unclean hands defense on several bases: (i) plaintiff had previously advertised a
 20 100% pomegranate juice that in fact contained elderberry juice; (ii) plaintiff failed
 21 to list water as an ingredient in its 100% juice, where water made up 3/4 of the
 22 juice; (iii) plaintiff obscured "from concentrate" on its bottles; and (iv) plaintiff's
 23 advertising campaign claimed the juice went straight from the fruit to the bottle,
 24 when in fact it did not. *Id.* at 1109. The court rejected each allegation as a basis
 25 for an unclean hands defense.

26 With respect to (i), the court held "while [defendant] has offered undisputed
 27 evidence of [plaintiff's] misleading label, [defendant] has not demonstrated by clear
 28 and convincing evidence that [plaintiff's] conduct was 'egregious.'" *Id.* at 1113.

1 The court looked to trademark law where actual deception is required: “The
 2 unclean defense can bar recovery in trademark cases if the defendant can establish
 3 that the plaintiff used its own trademark (on which its lawsuit is based) to deceive
 4 consumers.” *Id.* Although defendant had presented evidence of a couple
 5 consumers who were confused, there was no evidence “any appreciable number of
 6 consumers were confused.” *Id.*

7 With respect to defendant’s other contentions, the court held they were not
 8 sufficiently related to plaintiff’s allegations to qualify as unclean hands:
 9 “[Defendant] argues that it need only establish that [Plaintiff] deceptively names,
 10 labels, and advertises its juice products such that consumers are led to believe the
 11 products have characteristics which they do not. However, the unclean hands
 12 defense is not that broad. Rather, it can be applied only where some unconscionable
 13 act of one coming for relief has immediate and necessary relation to the equity that
 14 he seeks in respect of the matter in litigation.” *Id.* at 1111 (internal quotes omitted).
 15 “[Defendant’s] allegations regarding [plaintiff’s] marketing of its juice as not from
 16 concentrate, while falling within the broad category of ‘consumer deception,’ are
 17 premised on a different deception, different factual allegations, and different types
 18 of advertisements. The relationship between these allegations and [plaintiff’s]
 19 claims is too tenuous to support an unclean hands defense.” *Id.*

20 The same holds true here. Glidewell’s incorrect statement about a lawsuit
 21 that had not been filed was an isolated incident totally unrelated to the allegations in
 22 this lawsuit. Glidewell does not accuse Keating of misrepresenting the existence of
 23 a lawsuit, or anything similar to that. Thus Keating’s claim is too attenuated from
 24 Glidewell’s allegations here to come in to play. Additionally, the incident was not
 25 at all egregious—it was an isolated bluff, never again repeated, that had no impact
 26 on consumers and no impact whatsoever on Keating. Thus it is insufficient to
 27 support an unclean hands defense.

28 Keating’s third argument, that Glidewell misused the ® symbol in a few

1 instances, ignores the legal standard applicable to use of the ® symbol. As
 2 Glidewell explained in its moving papers, use of the ® symbol in connection with
 3 unregistered goods is actionable only if the trademark holder intended to deceive.
 4 *Copelands' Enterprises, Inc. v. CNV, Inc.*, 945 F.2d 1563, 1566 (Fed. Cir. 1991)
 5 (“The improper use of the registration symbol by an applicant will defeat
 6 applicant’s right to registration only in those cases where it is conclusively
 7 established that the misuse of the symbol was occasioned by an intent to deceive
 8 the purchasing public or others in the trade into believing that the mark was
 9 registered.”); see also 3 J. Thomas McCarthy, McCarthy on Trademarks and Unfair
 10 Competition (4th ed. 2010) § 19:146 (“[I]n ex parte and inter partes proceedings in
 11 the PTO, modern decisions have been extremely lenient in accepting explanations
 12 for misuse of the statutory notice. . . . [A]nything less than an intentional or
 13 deliberate act to deceive the public is regarded as not constituting misuse of the
 14 trademark notice so as to bar relief.”). Keating has presented zero evidence of
 15 intent to deceive.

16 Not only is there no evidence of an intent to deceive, but the evidence shows
 17 the improper usages of the ® symbol were inadvertent and, where possible,
 18 corrected soon after they were brought to Glidewell’s attention. (SUF 14, 15).
 19 Keating has proffered no evidence to dispute that. Keating’s only response is to
 20 contend that the improper usages were more widespread than Glidewell described
 21 in its moving papers. (Dkt. # 126 (Keating SGI) at ¶ 14). We acknowledge that
 22 Keating has located one additional improper use: “It Pays to Recycle BruxZir®
 23 Solid Zirconia” in connection with milling blanks. (Jankowski Decl. Ex. 7 at 18).
 24 This is trivial. Keating has nothing more; its remaining allegations of improper use
 25 of the symbol are false. For example, Keating claims that “Authorized BruxZir®
 26 Laboratories” and “BruxZir® Solid Zirconia” are improper. They are not. The
 27 Authorized Labs are authorized to sell BruxZir *crowns*. Thus that usage is
 28 appropriate. (SUF 2). And “BruxZir® Solid Zirconia,” standing alone, is not

1 connected to any particular product and thus not misleading. Thus the evidence
 2 shows that Glidewell, which has an annual marketing budget of millions of dollars,
 3 has on four occasions since obtaining a registration in January of 2010 added the ®
 4 symbol in connection with the wrong products. But there is absolutely no evidence
 5 of a fraudulent intent to deceive. And since that is what Keating needs to prove,
 6 Keating has not furnished evidence of unclean hands related to the ® symbol.

7 None of Keating's evidence amounts to the sort of egregious misconduct that
 8 the courts require to support an unclean hands defense. Therefore, the Court should
 9 grant partial summary judgment in favor of Glidewell on Keating's Fourth
 10 Affirmative Defense for Unclean Hands.

11 **E. Keating's Fifth Affirmative Defense of Fair Use Fails Because Keating is**
 12 **Using "Bruxer" as a Trademark and Not Solely to Describe Its Goods**

13 Keating's use of "Bruxer" is not fair use because Keating is using "Bruxer"
 14 as a mark, and not only to describe its goods. To qualify as fair use, Keating's use
 15 of "Bruxer" must be "otherwise than as a mark" and "only to describe the goods
 16 and services" of Keating. 15 U.S.C. § 1115(b)(4).

17 Keating has applied to register the mark "KDZ Bruxer." It follows that
 18 "Bruxer" is being used as part of a mark, which disqualifies it as a fair use as a
 19 matter of law. Keating tries to escape that consequence with a divide-and-conquer
 20 tactic: divide "Bruxer" from "KDZ" and argue that "Bruxer," by itself, does not
 21 distinguish Keating's goods. (Opposition at 17 ("Bruxer' alone does not
 22 distinguish Keating's product from the product of any other dental lab . . ."). In
 23 that regard, Keating notes that it has voluntarily disclaimed the term "Bruxer" in its
 24 trademark application. (Opposition at 17).

25 Keating's argument fails, however, because Glidewell does not accuse only
 26 the "Bruxer" component of infringement, but rather the entirety of Keating's
 27 brand—KDZ Bruxer. (Dkt. # 1 [Glidewell Complaint] ¶¶ 9-10). This is as it
 28 should be, for in assessing a mark for infringement, the *entire* mark must be

1 considered, not just part of it. *Self-Realization Fellowship Church v. Ananda*
 2 *Church of Self-Realization*, 59 F.3d 902, 912 (9th Cir. 1995) (“The validity and
 3 distinctiveness of a composite trademark is determined by viewing the trademark as
 4 a whole, as it appears in the marketplace. . . . A court may not review the validity of
 5 a composite-term trademark by ‘dissecting’ the term and reviewing the validity of
 6 its component parts individually.”); *JL Beverage Co., LLC v. Beam, Inc.*, __
 7 F.Supp.2d __, 2012 WL 4472097 (D. Nev. Sept. 25, 2012) (“under the anti-
 8 dissection rule, the validity and distinctiveness of a composite trademark is
 9 determined by viewing the trademark as a whole, as it appears in the
 10 marketplace.”).

11 This issue arises when, as here, one party disclaims part of a mark. The cases
 12 addressing the issue hold that in assessing whether the mark infringes, the *entire*
 13 mark must be considered, not just the nondescriptive portion. *Schwarzkopf v. John*
 14 *H. Breck, Inc.*, 340 F.2d 978, 979-80 (C.C.P.A. 1965) (“As to the disclaimer, this
 15 does not have the effect of removing from the mark sought to be registered, or from
 16 our consideration, the [disclaimed] words . . . It disclaims only any exclusive right
 17 in those words per se. . . . It is of course well established that disclaimed material
 18 forming part of a trademark cannot be ignored in determining whether the marks
 19 are confusingly similar.”); *Sleeper Lounge Co. v. Bell Mfg. Co.*, 253 F.2d 720, 724
 20 n.1 (9th Cir. 1958) (“Disclaimed material forming part of a registered trade-mark
 21 cannot be ignored. It is still part of the composite trade-mark which must be
 22 considered in its entirety.”).

23 Here, Glidewell has sued Keating for infringement based on the KZ Bruxer
 24 mark, and Keating has applied to register the entire mark, “KZ Bruxer,” as a
 25 trademark. (Dkt. # 94 [Boatright Decl.] Ex. C). As a matter of law, Keating’s
 26 application to register the mark leaves no room for genuine dispute that Keating is
 27 using it as a trademark, not merely to describe its goods. This precludes the fair use
 28 defense. *Cairns v. Franklin Mint Co.*, 292 F.3d 1139, 1151 (9th Cir. 2002) (“To

1 establish a classic fair use defense, a defendant must prove . . . Defendant's use of
 2 the term is not as a trademark or service mark . . .").

3 Keating cites several cases in which descriptive terms were used as part of a
 4 product name. None of those cases help Keating, however, because in none of
 5 them was the descriptive term being used as a trademark, as in this case.

6 In *White Swan v. Nature Co.*, 29 F.3d 638 (9th Cir. 1994) (unpublished)
 7 plaintiff owned the mark "Hummingbird Garden" in connection with seeds to feed
 8 hummingbirds. Defendant began making a similar product "with labels that
 9 contained the phrase[]" "Hummingbird Seed Mix." The court held this was fair
 10 use, and emphasized the words were used "not [as] trademarks identifying a source,
 11 but instead are descriptive phrases used fairly to describe the nature, qualities and
 12 characteristics of the seed mixes." *Id.* Unlike here, there is no indication
 13 "Hummingbird Seed Mix" was being used as a mark at all, much less one for which
 14 a registration application was pending.

15 In *Microware Systems Corp. v. Apple Computer, Inc.*, 238 F.3d 989 (8th Cir.
 16 2001) *aff'g* 126 F. Supp. 2d 1207 (S.D. Iowa 2000) plaintiff owned a registered
 17 trademark for "OS-9" in connection with software products and sued Apple over its
 18 use of "OS 9" in its newest operating system, "Mac OS 9." The court upheld a fair
 19 use defense because Apple was using OS 9 in a purely descriptive fashion: "Since
 20 at least 1991, Apple has utilized a sequential numbering system to denominate new
 21 releases of its operating system for use in its Macintosh personal computer." *Id.* at
 22 1210. Further, "'OS' is widely regarded as industry short-hand for 'operating
 23 system.'" *Id.* at 1213. The court concluded Apple was not using OS 9 as a mark,
 24 but instead it was "used to describe the ninth version of the Macintosh operating
 25 system 'Mac OS.'" Unlike this case, Apple had not registered, or applied to
 26 register, any mark with "OS 9" in it, but instead was using it purely descriptively.

27 In *Leathersmith of London, Ltd. v. Alleyn*, 695 F.2d 27 (1st Cir. 1982)
 28 plaintiff had registered the mark "Leathersmith." The court found defendant fairly

1 used that term in the name of the business, “TANTALUS Custom Leathersmiths &
 2 Bookbinders.” “[Defendant] did not adopt ‘Leathersmith’ . . . as a trade or service
 3 mark, but rather, as the court below specifically found, as a generic description of
 4 his craft.” *Id.* at 30 (internal quotes omitted). Unlike here, defendant did not apply
 5 to register a mark with “leathersmith” in it, but simply used that term in a purely
 6 descriptive sense to describe the business.

7 In *Soweco, Inc. v. Shell Oil Co.*, 617 F.2d 1178 (5th Cir. 1980) the court
 8 upheld a jury verdict finding the descriptive term “larvicide” in the product names
 9 “Rabon Oral Larvicide” and “Shell Poultry Spray & Larvicide” was fair use against
 10 registered trademark “Larvacide” where the products were, in fact, larvicides. The
 11 jury found specifically that defendants used “larvicide” “fairly and in good faith
 12 [and] used the term only to describe the nature of its products and not as a
 13 trademark.” *Id.* at 1187. Again, defendants had not attempted to register any mark
 14 containing the word “larvicide,” but instead simply used that term to describe the
 15 product.

16 Finally, *Abercrombie & Fitch Co. v. Hunting World, Inc.*, 537 F.2d 4 (2d Cir.
 17 1976) held “Camel Safari” boots, “Hippo Safari” boots, and “Chukka Safari” boots
 18 to be a fair use of “Safari.” The boots were being sold by a company that arranged
 19 safaris and were being sold for use on safaris, and also the term “safari” had
 20 become generic in the fashion industry for certain types of fashion. Again,
 21 defendant had not tried to register a mark with “safari” in it, but instead was using
 22 the term purely descriptively.

23 These cases do not stand for the proposition that a descriptive term can be
 24 used *in a trademark* and qualify as fair use. Each of those cases takes pains to
 25 emphasize that the term was not being used as a trademark. And in none of those
 26 cases was the descriptive term being used in a trademark that was registered, or for
 27 which a registration was pending. The terms were simply used to describe a
 28 product or service. Because Keating uses “Bruxer” in a trademark, its fair use

1 defense fails.

2 Additionally, Keating is not using “Bruxer” “only to describe” its goods. See
 3 15 U.S.C. § 1115(b)(4). As Keating acknowledges, the term “bruxer” is used to
 4 refer to “[a] person who suffers from bruxism.” (SAA ¶ 46). In turn, “bruxism”
 5 refers to a condition of a patient who habitually grinds teeth. (*Id.*). Keating admits,
 6 however, that it uses the term “bruxer” in connection with the sale of “crown[s]
 7 made from zirconia.” (SAA ¶ 42). The term “bruxer,” therefore, simply does not
 8 describe Keating’s product—Keating’s product is not a person who grinds teeth.
 9 Obviously, there is a relationship between all-zirconia crowns and bruxers—all-
 10 zirconia crowns are strong enough to withstand bruxism. But in trademark law,
 11 that is a suggestive mark, not a descriptive one. Thus Keating’s fair use defense
 12 fails for the additional reason that Keating is not using “Bruxer” only to describe its
 13 goods.

14 **F. Keating’s Third Affirmative Defense of Estoppel Fails**

15 Keating’s estoppel argument boils down to the claim that Glidewell
 16 previously marketed BruxZir crowns as ideal for bruxers, and the entire market for
 17 zirconia crowns relied on that marketing in choosing to use variations on “bruxer”
 18 in its marks, so Glidewell should be estopped from opposing those marks.
 19 (Opposition at 18-20). The argument may be quickly disposed of for two reasons.

20 First, Keating has no evidence that anyone relied on Keating’s marketing
 21 campaign in choosing a trademark. Even *Keating* does not submit declarations
 22 attesting to such reliance, much less evidence of third party reliance. The only
 23 evidence Keating points to is evidence that various companies have adopted marks
 24 using variations on “bruxer.” But that fact has no bearing on whether those parties
 25 chose their marks *in reliance* on Glidewell’s marketing. See *Lyng v. Payne*, 476
 26 U.S. 926, 935 (1986) (“An essential element of any estoppel is detrimental reliance
 27 on the adverse party’s misrepresentations . . .”).

28 Second, Keating has no evidence that Glidewell “intentionally led another to

1 believe a particular circumstance to be true . . .” See *United States v. Georgia-*
 2 *Pacific Co.*, 421 F.2d 92, 96 (9th Cir. 1970). Keating points to evidence that
 3 Glidewell previously marketed BruxZir as ideal for bruxers. But that is not
 4 evidence that Glidewell *intentionally* led others to believe they could use variations
 5 on “bruxer” *in their trademarks* despite being confusingly similar to Glidewell’s
 6 mark.

7 Notably, Keating has not cited a single case recognizing its novel theory of
 8 estoppel. In short, there is neither evidence nor legal authority to support Keating’s
 9 theory of estoppel. Thus the Court should grant partial summary judgment to
 10 Glidewell on Keating’s Third Affirmative Defense of Estoppel.

11 **G. Glidewell Adequately Met and Conferred Under Local Rule 7.3**

12 Keating claims Glidewell violated Local Rule 7.3 by not meeting and
 13 conferring regarding Glidewell’s intention to move for partial summary judgment
 14 on Keating’s affirmative defenses of unclean hands, fair use, and estoppel.
 15 Keating’s argument elevates form over substance. Glidewell informed Keating that
 16 it would move “(i) . . . for an order finding that Glidewell’s registered mark BruxZir
 17 is valid; (ii) dismissing Keating’s First Counterclaim and for an order finding that
 18 Keating has infringed Glidewell’s BRUXZIR mark, and (iii) dismissing Keating’s
 19 Second and Third Counterclaims for (a) unfair competition under Cal. Bus. & Prof.
 20 Code § 17200 et seq. and California common law, and (b) misuse of the BRUXZIR
 21 mark.”

22 Keating’s fourth affirmative defense for unclean hands is entitled “Misuse of
 23 Trademark/Unclean Hands/Unfair Competition.” Glidewell informed Keating it
 24 would move on Keating’s affirmative claim for trademark misuse. There is no
 25 substantive difference between Keating’s affirmative claim for trademark misuse
 26 and affirmative defense of “Misuse of Trademark/Unclean Hands/Unfair
 27 Competition.” Obviously, therefore, a motion against the affirmative claim will
 28 encompass the affirmative defense. Keating was on notice.

With respect to Keating's fifth affirmative defense of fair use, it is rather hypocritical of Keating to raise this argument since Keating argued fair use in its own summary judgment motion yet *did not meet and confer* regarding that affirmative defense. (Declaration of Greer Shaw, Ex. 116). Ultimately, it is likely both parties would agree that a motion for summary judgment regarding infringement encompasses fair use. And since both parties met and conferred regarding motions pertaining to infringement, both parties adequately met and conferred regarding fair use. Additionally, since Keating raised fair use in its own motion, Keating can hardly claim any prejudice.

Finally, Keating's third affirmative defense pertaining to estoppel raises largely the same factual and legal issues as Keating's misuse claim. Thus, Keating was on adequate notice that Glidewell would move as to that affirmative defense as well. Keating's argument to the contrary simply raises form over substance.

II. CONCLUSION

For the foregoing reasons, the Court should enter partial summary judgment for Glidewell on Keating's Second Counterclaim for Unfair Competition, Third Counterclaim for Misuse of Trademark, Third Affirmative Defense of estoppel, Fourth Affirmative Defense of unclean hands, and Fifth Affirmative Defense of fair use.

Dated: December 3, 2012

SNELL & WILMER L.L.P.

By:

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dba GLIDEWELL LABORATORIES

1 ***Glidewell Laboratories v. Keating Dental Arts, Inc.***
2 United States District Court, Central, Case No. SACV11-01309-DOC (ANx)

3 **CERTIFICATE OF SERVICE**

4 I hereby certify that on December 3, 2012, I electronically filed the document
5 described as **JAMES R. GLIDEWELL DENTAL CERAMICS, INC.'S REPLY**
6 **BRIEF IN SUPPORT OF ITS MOTION FOR PARTIAL SUMMARY**
7 **JUDGMENT RE TRADEMARK MISUSE, UNFAIR COMPETITION,**
8 **UNCLEAN HANDS, FAIR USE, AND ESTOPPEL** with the Clerk of the Court
9 using the CM/ECF System which will send notification of such filing to the
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